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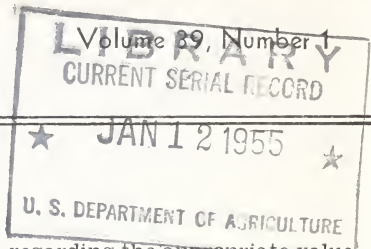


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# THE Agricultural Situation

JANUARY 1955



## Why Egg Prices Didn't Rise

THE FAILURE of egg prices to rise significantly *last fall* is as abrupt a departure from "normal" as would be a snowstorm in August or a three-headed calf. For as long as we have records, egg prices have risen to a noticeable peak in fall or winter—except in 1954. Last year, on the basis of United States average prices received by farmers, there was no fall price peak. While individual grades of large eggs were higher in October than in either September or November, low prices for mediums wiped out any pronounced peaking in the average price.

The principal explanations for this radical change in the egg price pattern are (1) the high level of annual average egg supply and consumption, (2) the unusually high level to which egg production rose in the months of September through November 1954, and (3) the mistakenly optimistic appraisal by egg storers and speculators in the spring

of 1954 regarding the appropriate value for eggs.

### More and More Eggs

Spurred by cost-trimming advances in nutrition, management practices, breeding, and disease control, farmers have been steadily increasing egg pro-

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duction in the 15 years since prewar. Because new techniques have to some extent offset feed price advances and other rising prices, farmers have been generally willing to produce more eggs—even though egg and poultry prices have risen less than the prices of any other major group of livestock products.

Egg production increased in 11 of the past 15 years, to the point where 1954 production was nearly double that of prewar (*180 percent of the 1935-39 average*). At the 1954 level of output, egg supply supported an annual average disappearance (consumption) of 412 eggs per person, against 296 eggs prewar.

### High Consumption, Little Elasticity

Consumers buy a significant number of their eggs "invisibly," as ingredients in commercially prepared baked goods, salad dressing, noodles, and other prepared foods. Even after allowing for such invisible purchases, present levels of production provide an egg a day for the average consumer. At that high level of supply, demand is less elastic than it would be if per capita availability were still down at the prewar level. When visible egg consumption is above an egg per day, it takes a bigger price drop to induce the retail sale of an extra dozen eggs than it did when the public was consuming eggs at a rate about 25 percent below 1954. At the lower consumption rate, it was easy to expand the diet to include extra eggs, particularly since the overall level of food consumption in the United States was less generous then than now.

As eggs became more plentiful over the past 15 years or so, a considerable part of the increased supply came during the months of lowest production, thereby reducing the supply differences (*and also the price differences*) between spring and fall. However, a sufficient price difference remained to induce the commercial cold storage (of frozen as well as shell eggs) of a considerable proportion of each spring's egg production. And, in addition, the requirements of eggs for hatching are greatest in the spring. Even after allowing for these factors, there still had been a much larger egg supply left for use in the spring than in the fall—

## Eggs and Citrus Head January Plentiful

PRODUCERS of two important farm products—eggs and citrus—share the benefits of having their products given featured position on USDA's Plentiful Foods List for January. Those producers have a direct link with the Department in this listing, since all segments of both poultry and citrus industries are sponsoring special campaigns in January with the Department's full cooperation and support.

With supplies expected to be at record heights for the month, the poultry industry has arranged an impressive celebration of "January Egg Month." The citrus industry is staging a "Winter Health" campaign to help push the sale of fresh and processed oranges, grapefruit and tangerines.

Beef, pork, and large-sized turkeys are other plentifuls on the list for January—along with such fishery products as halibut and haddock, shrimp, and canned tuna.

Dairy products continue to come in for attention, along with lard, and vegetable fats and oils. And raisins, walnuts, almonds, and filberts have also been designated as plentiful foods for January, by marketing specialists in USDA.

until 1954. The result—until 1954—had been a conspicuously higher egg price in the fall than in the spring.

But in 1954, a record-high annual egg production was climaxed by a September-October-November production that was about three-fourths as large as output for the three peak months of March-April-May. Now when the March-May output is diminished by the eggs stored in those months, and by the eggs used then for hatching, the effect is to make the fall egg supply almost 90 percent as large as the springtime supply.

### Mistaken Advance Appraisals

The springtime egg price, low as it was, was considerably supported by storage and speculative demand. Storsers thought that fresh egg supplies would tighten up in the fall, as in every previous fall, on account of seasonally lower production. Guided to a considerable extent by a favorable level of future contract prices, they anticipated a price rise by fall. After all, in the previous year (1953), production during the 3 months of lowest egg output was 28 percent below the 3 months of

# School Children Drinking More Milk

## Farmers Encouraged by Early Reports of Consumption Increases

**D**AIRY FARMERS are keeping a keen eye on schools these days.

Beyond their usual interest in education, they're interested in how the Special School Milk Program is doing.

That's the new measure authorized

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peak output, and on a 10-year-average basis, past production had shrunk by 43 percent from spring to fall. Accordingly, with that sort of background, 1954 egg future contracts until the end of May never fell below 39 cents per dozen.

But in the fall of 1954 it was different. Events proved that storers had over-rated fall prices. As a consequence of their optimistic overvaluation, springtime prices for eggs going into storage (both shell and frozen) were higher than the prices actually received in the fall. Egg future contracts for delivery in September closed at 29.45 cts. per dozen, and October at 24.65 cts.

The high general level of egg production and supply, the overvaluation of eggs in the spring (as revealed by hindsight), and the large production of eggs in the fall thus combined to result in no seasonal price increase in 1954.

### Can't Be Sure of Old Patterns

If farmers adjust their 1955 baby chick orders in recognition of the present oversupply of eggs, egg supply will be below 1954 by the last quarter of the year, and some element of normal seasonality will be restored to egg prices. But the experience of 1954 is a sobering one, indicating that even price patterns based on biological seasonality—particularly relevant to egg production—can be upset when man learns to control that seasonality for his economic advantage. This means that even though egg prices late in 1955 are likely to exceed the springtime lows, we can no longer expect that as a matter of course egg prices every fall will be higher than in the preceding spring.

Edward Karpoff  
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by Congress to encourage milk consumption among children of high school grade and under. And early reports are that the program is doing fine.

For one thing, the program has won an enthusiastic reception. The U. S. Department of Agriculture announced the program on September 10. Just 5 days later, the first of the States came into the program. And in less than 2 months, it was established in all 48 States and the District of Columbia.

The speed with which the new program swung into action was possible only because many workers—all the way along the Federal, State, and local ladder—gave unstintingly of their time and efforts, in anticipation of the good the program would do children.

### Increases Encouraging—Room for Further Expansion

By the end of November, over 32,000 schools had been approved for participation in the program. And the number of schools entering the program continues to increase—with considerable room for further expansion among the country's 150,000 schools. Many schools now signing up for the program have not previously served food—not even milk—to their students.

Also encouraging are the first reports of the program's effect on milk consumption. Figures now available are those for the end of October. For most of the 30 States reporting, statistics are too limited to mean much in overall national evaluation of the program's effects on milk consumption.

But 11 States reporting had 100 or more schools participating in the program—enough to indicate the trend. And all 11 showed significant increases in milk consumption in schools—ranging from 19 percent to 87 percent. More than half these States showed increases of more than 50 percent over last year.

Locally, school administrators, dairy groups, agricultural leaders, and others,



# Outlook Highlights

. . . January 1955

have shown ingenuity and aggressiveness in devising ways to make milk consumption increases possible. Schools in the program have run the gamut of ways to boost usage—confirming the belief of program planners that, given opportunity to exercise their knowledge of local conditions, local school administrators would do the best possible job of devising ways and means to make milk more readily available to children.

Many schools are offering children more than the usual half pint of milk with their lunch, some by using containers of larger capacity. Others, in addition, are establishing new recess servings, and making milk available throughout the day, some by using vending or dispensing machines. Others provide milk as soon as the children arrive in the morning. A popular cold-weather version is to serve hot chocolate—made from fluid whole milk—as soon as the busses arrive, giving the children a lift after a long cold ride.

## Some Schools Get Milk for First Time

The Special School Milk Program is also stimulating new efforts by local groups to give all schools access to a supply of fluid whole milk. Many schools which previously had been unable to arrange for milk are now getting regular deliveries. Notably, in one rural county, 2,000 children are now able, for the first time, to buy milk at school. The program has made it possible for trucks taking raw milk to market to bring back pasteurized milk to schools in the area. And schools which can get only every-other-day delivery have been enabled to install refrigeration equipment to permit everyday servings.

Most encouraging, though, to everyone who has worked with the Special School Milk Program is the warm welcome it has received from the children. The careful planning which went into the program's development gave it good assurance of success. But the enthusiasm with which school children of all ages have welcomed the opportunity to drink more milk is the real proof of the program's potential for achieving lasting gains in milk consumption.

Philip V. Fleming  
*Agricultural Marketing Service*

SOME improvement in the average of prices received by farmers is in prospect in the early months of this year. With the 1954 harvest largely completed, marketings will taper off in the next few months, and prices of some crops probably will rise. Prices also will be strengthened by the movement of large quantities of many products to storage under the support program. Economic activity in the Nation has continued to rise, with consumer income at a record rate and running slightly above a year earlier. Industrial production is gaining and employment in recent months has been rising. New orders received by manufacturers have increased and construction activity continues above a year earlier.

## Meat Animals

Cattle slaughter this winter may fall a little below last winter. The number on feed is as high or higher than a year ago, pointing to large supplies of finished cattle. But marketings of cattle off grass probably will be down. Seasonal price increases for grass cattle and declines for finished cattle are likely later in the season. Consequently, the spread between prices of upper and lower grades, now wide, probably will narrow.

Farmers probably sold a smaller proportion of the spring pig crop by the year's end than in either 1952 or 1953. Marketing of these extra hogs in early 1955 will hold down the seasonal rise in prices.

## Dairy Products

Milk production is likely to be a little below the record levels of early 1954 during the first months of 1955. Purchases of dairy products for price support in recent weeks have been the smallest in nearly 2 years.

## Eggs and Poultry

Egg production last month was 6 percent above a year earlier. Output

*(Continued on page 12)*

# New Income Tax Features

## Favorable to Farmers

### Conservation Costs Now Deductible as Current Expenses

**M**ANY FARMERS stand to gain by taking a close look at the new Federal income-tax law. Numerous changes were made by the Congress in 1954. Not all farmers, of course, will benefit financially or otherwise from every change, but every farmer is affected to some extent by one or more of the revisions. Most farmers will have filed their 1954 returns by January 31. But it will pay you also to study the new provisions in connection with planning your farm work for the new year.

Take, for example, the new rules permitting costs of soil and water conservation to be deducted as current expenses. By deducting these currently, rather than capitalizing them as required formerly, some individual farmers may realize substantial savings in taxes.

Deductible expenses include but are not limited to the costs of leveling, grading, terracing, contour furrowing, construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets, and ponds, the eradication of brush, planting of windbreaks, and some other types of treating or moving of earth.

Not deductible as current expenses are outlays to purchase, construct, install, or improve depreciable masonry, tile, metal, or wood structures, appliances, and facilities such as tanks, reservoirs, pipes, conduits, canals, dams, wells, and pumps. These costs are depreciable.

Conservation expenses since January 1, 1954, come under the new rule, but they are limited in any one tax year to 25 percent of the taxpayer's gross farm income for that year. Any remaining expenses can be carried over to the next year and deducted up to 25 percent of gross farm income for that year, and so on. Farmers who

elect the new way to handle conservation expenses can change only with permission of Internal Revenue Service.

### Depreciation Important Deduction

Farmers will do well to examine the new depreciation laws, too. Depreciation is loss in the value of an asset due to wear, tear, and decay. It cannot be accumulated and used when it suits the taxpayer best, but must be claimed in the tax period when it occurs. Therefore depreciation should be calculated correctly and on a carefully planned basis.

Most farmers have used the "straight-line" method of determining their annual depreciation schedules. But the law now specifically permits "any reasonable and consistent method" and mentions the "declining-balance" and the "sum-of-the-digits" methods. (See table, next page.)

The straight-line method prorates the wearing value (cost less salvage value) evenly over the number of years of useful life of the machine, building, or other asset. In the example given in the table, the annual depreciation is \$100—or \$1,000 divided by 10 years of estimated useful life.

Under the declining-balance method, the law provides for a rate of depreciation up to twice the rate computed under the straight-line method. That rate for the first year in the table is 20 percent. The rate for the second year is 20 percent of the remaining value and so on. By this method, the farmer may write off approximately two-thirds of the cost of the asset during the first half of its useful life. This, of course, would result in a much smaller depreciation in the second half of its life. Also, it would leave an unrecovered cost of

10 to 13 percent at the end of its life—except that the taxpayer can change to the straight-line method and reach zero by the time the asset is exhausted.

Under the sum-of-the-digits method of depreciation, the years of useful life are numbered consecutively and added ( $1+2+3+4+5+6+7+8+9+10=55$  in the example). Then the number of years in reverse order determines the fraction of the total that is depreciated annually (10/55 the first year; 9/55 the second year; and so on until 55/55 or all of the asset is depreciated).

To be depreciated more rapidly, the asset must be "new in use" to the taxpayer; its construction or purchase must have occurred after December 31, 1953; and it must have an expected life of 3 years or more (unless it is depreciated by the straight-line method).

The faster depreciation methods save money for taxpayers by allowing greater deductions, temporarily at least. They also provide greater flexibility in the taxpayer's accounting procedures.

### Other Allowances

A new provision in the Revenue Code of 1954 allows a farmer to disregard income from the destruction or sale of livestock due to disease. That is, any condemnation award or other income received by the farmer when diseased livestock are disposed of need not be reported as income (or gain) if he purchases in like amount other livestock as replacements. The replacement purchases must, however, be made not earlier than the date of destruction or sale or threatened condemnation and not later than 1 year after the year in which the proceeds were realized.

If the farmer's business for the tax year ends in a net operating loss, such loss may now be carried back 2 years instead of 1 as permitted previously. This means that a taxpayer can write off a loss over a period of up to 8 years (2 past, 1 current, and 5 succeeding years).

## Methods of Calculating Depreciation <sup>1</sup>

End of year	Amount deductible		
	Straight-line	Declining-balance	Sum-of-the-digits
	Dollars	Dollars	Dollars
1.....	100	200	182
2.....	100	160	164
3.....	100	128	145
4.....	100	102	127
5.....	100	82	109
6.....	100	66	91
7.....	100	52	73
8.....	100	42	55
9.....	100	34	36
10.....	100	27	18
Total..	1,000	893	1,000

<sup>1</sup> Cost of asset assumed to be \$1,100 and to have a salvage value of \$100 so that the amount to be depreciated is \$1,000. Figures rounded.

For example, if a farmer had an operating loss in 1954 and paid a tax in 1952, he can claim a refund after refiguring his tax for the earlier year and taking account of his 1954 loss. Any remaining loss for 1954 can then be carried back to 1953. If an amount still remains, it can be carried forward to 1955, 1956, 1957, 1958, and 1959 in that order.

Finally we may note a few other things that farmers might consider about his income tax at this time.

A dependent has been made more inclusive under the new code. For example, a child under 19, or who is a student (regardless of age) may qualify as a dependent even if his income exceeds \$600. Also certain additional relatives have now been made dependents if they qualify otherwise.

Also, farmers who list their expenses get a better break with medical expense deductions.

And a new tax credit for retirement income has been added.

Tyler F. Haygood  
*Agricultural Research Service*



# Farmers Urged To Buy Hay and Pasture Seeds Early

**B**ECAUSE of severe drought last summer and fall in the United States, thousands of acres of legumes and grasses will have to be re-sown. Furthermore many acres that normally would be sown to wheat, corn, and other crops which have been in surplus supply are expected to be sown to legumes and grasses in order to provide forage for livestock. These factors, together with general economic conditions, point to a larger disappearance or consumption of seeds during the 1954-55 season. On the other hand, the higher level of seed prices this year and smaller supplies than in 1953 of a number of seeds will tend to decrease the consumption.

If domestic disappearance during the 1954-55 season equaled that of the preceding season, there would not be enough of 5 or 6 of the 18 legume and grass seeds that are usually sown in the spring unless the current supply were increased considerably by imports. To make matters worse, European countries are now importers of field seeds instead of exporters because of very unfavorable weather for their seed production in 1954.

Inasmuch as supplies of many seeds are smaller than usual and cannot be increased much, if at all, by foreseeable imports during the next few months, and also because the trend in seed prices has been upward since last fall, it would seem prudent for those needing seed to make their purchases as soon as possible. This applies particularly to red clover, white clover, lespedeza, redtop, and orchardgrass, supplies of which are much below average.

Of the 18 legume and grass seeds that are sown principally in the spring, the 1954 production of 10 is smaller than in 1953 and production of 10 is below average. Furthermore the carry-over of 9 of the 18 was smaller than in 1953. Generally speaking, weather

conditions for harvesting were quite favorable, with the result that quality of the 1954 seed crops is fairly good to good. Spurred on by higher than average prices, movement of these crops from farms of growers has been faster than usual. Current wholesale prices of 11 out of 18 legume and grass seeds for spring sowing are higher than a year ago, while 7 are lower.

Information regarding supplies, domestic disappearance, and wholesale prices early in December for 18 legume and grass seeds for sowing on meadows, pastures, and lawns follows.

**Alfalfa:** Supply of alfalfa seed for the 1954-55 planting season (*1954 production plus carryover*) is estimated at nearly 217 million pounds, 2 percent larger than the previous record supply a year ago and twice the 1943-52 average. The increased production in 1954, resulting in part from the record yield per acre, more than offsets the smaller carryover than in 1953. Approximately 83 million pounds, or more than half the total 1954 production, includes seed produced in Northern States and certified seed of improved varieties produced in the Southern zone, chiefly in California, but adapted for sowing in many of the Northern States.

Domestic disappearance of alfalfa seed last season (1953-54), estimated at 150 million pounds, set a record and compares with about 95 million pounds, average for the previous 10 seasons. Current supply is more than adequate to meet the upward trend in the consumption of this seed. Although wholesale prices of alfalfa seed early in December were about 40 percent higher than a year ago, they were still about 20 percent below the 1949-53 average and lower than prices of red-clover seed.

**Red clover:** The current supply of red-clover seed, estimated at 90 million pounds, is the smallest in 7 years and

2 million pounds below the estimated domestic disappearance during the past season. The reduced supply is due chiefly to the fact that only half an average acreage was harvested in 1954.

Prices of this seed soared in recent months not only because of below-average production but also because of the strong demand from Europe. Furthermore, Canada's crop is little more than a third of her large 1953 production. It is expected that domestic disappearance will fall well below the 92 million pounds consumed last season as there is not sufficient seed available and current wholesale prices are about 80 percent higher than a year ago and 50 percent above average.

**Alsike clover:** The record large carryover of alsike clover offsets only in part the record small crop in 1954. The 16-million-pound supply of this seed is only about 2 million pounds in excess of the quantity sown in this country last season. But domestic supply has been greatly increased by the record imports for the July 1–November 30 period totaling 2,028,600 pounds—all from Canada. Although wholesale prices are about 60 percent higher than last year's very low prices, they are 5 to 10 percent below average.

**Sweetclover:** The supply of sweetclover seed is slightly smaller than that of a year ago and 6 percent less than average. Imports from Canada have been running below the average for recent years due in part to the fact that the 1954 crop in Canada is much smaller than average and the carryover is also smaller. Currently wholesale prices of this seed are about 50 percent higher than a year ago and about 20 percent above average.

**White and Ladino clover:** Supplies of white and Ladino clover seed are 27 and 21 percent respectively smaller than a year ago. Supply of white is also 27 percent below average but supply of Ladino, although 5.5 million pounds less than a year ago, is  $3\frac{1}{2}$  times the average.

Imports of white clover since July 1 have been running much above average but below those of 2 years ago. Without these imports the supply of this seed would fall short by a half million pounds of equaling last year's domestic disappearance. Cur-

rently wholesale prices of white clover are about 60 percent higher than last year and Ladino clover about 35 percent.

**Lespedeza:** The supply of lespedeza seed is the smallest on record (back to 1939) due to the fact that the 1954 production is the second smallest in 18 years and the carryover was at a near-record low level. This year's supply falls slightly below last season's below-average consumption. Although there is little change in Korean lespedeza prices from last year, wholesale prices currently are nearly twice the average.

**Timothy:** Supply of timothy seed is 3 percent larger than a year ago but 43 percent below average. If consumption during the 1954–55 season equals that of last year much seed will have to be imported. Since July 1 imports have been second in volume only to those of last year. They have come from Canada, where the carryover was small but the 1954 production is 45 percent above average. Current wholesale prices of timothy seed are about 50 percent higher than a year ago and 30 percent above average.

**Redtop:** Current supply of redtop seed is the smallest on record, but should be adequate if domestic disappearance, trend of which has been downward, is no larger than that of last season—a record low. Early December prices were about the same as a year ago, but were about 50 percent above average.

**Orchardgrass:** Supply of orchardgrass seed, smallest in 7 years, is about 2.5 million pounds less than the domestic disappearance during the 1953–54 season. Imports July 1–November 30 totaling 1,413,200 pounds are third largest on record for that period. Although the 1954 acreage of orchardgrass seed in Denmark, chief world exporter of this seed, is 12 percent larger than in 1953, yield per acre was expected to be below average. Available quantity for export from there was estimated at 6.5 to 7 million pounds. Currently wholesale prices in the United States are 60 percent higher than a year ago and 30 percent above average.

**Smooth bromegrass:** The 1954–55 supply of smooth-bromegrass seed is 2.7 million pounds larger than the con-

## Legume and Grass Seed Supply and Domestic Disappearance

KIND OF SEED	SUPPLY <sup>1</sup>			DOMESTIC DIS- APPEARANCE	
	AVERAGE 1943-52	1953-54	1954-55	AVERAGE 1943-52	1953-54
	(1,000 pounds of clean seed)				
LEGUMES:					
Alfalfa.....	108,296	213,363	216,632	95,427	150,348
Red clover.....	115,309	125,164	90,150	96,171	92,078
Alsike clover.....	16,850	19,455	15,866	13,883	14,227
Sweetclover.....	53,251	50,564	50,237	56,518	49,059
White clover.....	4,389	4,362	3,195	4,024	3,704
Ladino clover.....	5,765	25,525	20,072	2,641	6,990
Lespedeza.....	191,185	86,002	83,511	170,493	83,756
GRASSES:					
Timothy.....	71,228	39,545	40,558	45,221	42,815
Redtop.....	18,148	4,506	3,744	11,634	3,079
Kentucky bluegrass.....	24,467	10,259	21,217	17,826	8,801
Orchardgrass.....	10,541	15,566	10,329	7,872	12,929
Smooth bromegrass.....	14,413	19,344	23,504	18,237	20,833
Crested wheatgrass.....	6,349	2,881	3,562	5,386	884
Sudangrass.....	51,277	66,171	48,368	36,640	54,848
Chewings fescue.....	3,306	6,808	9,669	3,096	4,009
Red fescue.....	1,791	4,809	8,139	<sup>2</sup> 2,854	8,691
Tall fescue.....	13,035	53,503	45,346	<sup>2</sup> 16,522	31,880
Bentgrass.....	2,058	4,208	4,913	1,530	2,410

<sup>1</sup> Supply for sowing in the fall of the first year shown and in the spring and summer of the second year. Thus the 1954-55 supply represents the quantity of seed available from the 1954 production and the June 30 carryovers by growers (where data are available), dealers, and the Government for sowing in the fall of 1954 and the spring and summer of 1955.

<sup>2</sup> 5-year (1948-52) average.

sumption last season and 5.3 million pounds above the average consumption. Imports have been running ahead of last year but are below average. Currently wholesale prices are slightly below last year but are much below average.

**Crested wheatgrass:** Supply of crested-wheatgrass seed is 24 percent larger than a year ago but 44 percent below average. Unless consumption increases over that of recent past years, little or no seed will have to be imported from Canada, where the 1954 crop is half again as large as the average. Currently wholesale prices are about 25 percent higher than a year ago.

**Sudangrass:** The 1954-55 supply of Sudangrass seed is 27 percent smaller

than last year and 6 percent below average. It is about an eighth smaller than the domestic disappearance during the last season but a third larger than the average disappearance. Wholesale prices are a third higher than last year but are about average.

**Fescues and bentgrass:** Supplies of seeds of the fescues—Chewings, red, and tall—and bentgrass for the 1954-55 planting season are at record or near-record highs. Except for tall fescue, they exceed by 17 to 69 percent last year's very large supplies. Early in December wholesale prices of them, except tall fescue, were lower than last year and all were below the 1949-53 average.

George C. Edler  
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*Agricultural Marketing Service*



# Farmers Have Done Good Job In Providing Storage Space

## • • • Biggest Grain Supply In History Now Adequately Stored

**M**ISSING from the list of major farm problems in recent months has been "storage for farm commodities." Yet this year's total grain supply—counting carryovers and current production—adds up to the highest in our history. And this, inevitably, means a tremendous storage job.

The "why" for the relatively favorable storage situation can be found in the excellent way both farmers and commercial storage people have used the assistance offered under Department of Agriculture programs.

Two years ago, the Department undertook to alert farmers and others to the danger which threatened if a substantial amount of additional storage capacity were not prepared to handle the sizable crops expected to be harvested. Aside from the obvious advantage of protecting crops from the weather, plenty of storage makes for orderly marketing and stabilized prices by enabling farmers to hold crops until they can be absorbed by the market. Furthermore, farmers can take out price-support loans only when they have adequate storage for their crops.

To encourage the needed action, three principal types of assistance have been made available through the Commodity Credit Corporation:

1. Loans on good terms are made to farmers for building additional on-farm storage facilities and for acquiring equipment for drying and conditioning their crops.

2. CCC agreed to underwrite for a limited number of years a certain percentage of occupancy of additional commercial and cooperative storage to be constructed in areas where needed. (Time for filing applications under this program has expired.)

3. Additional storage facilities have been acquired by CCC to handle Corporation-owned grain which could not be handled by other available storage.

Under the *farm storage* facility loan program, farmers may borrow up to 80 percent of the cost of buying or building new storage bins, cribs, or other approved storage structures. Repay-

ment of the loans is in four annual installments; interest is charged at the rate of 4 percent per year. During the last 2 years, farmers have used the program to increase their on-farm storage capacity by more than 88 million bushels. The loans for storage equipment—such as dryers, fans, and ventilators with which to keep grain in proper condition—may cover up to 75 percent of the cost of the equipment.

The *occupancy* storage program is a sort of insurance protection for warehousemen to induce them to construct more space. It provides for CCC payments to warehousemen constructing additional storage in the event that occupancy of the contract facility—by both private and CCC holdings—falls below specified levels during a period of 5 or 6 years, depending upon the plan the warehouseman elects. Since January of 1953, almost 178 million bushels of additional commercial storage capacity have been built or are now under construction.

The third type of assistance is that where the Government actually buys storage space. Additional bins purchased by CCC in the past 2 years have a capacity of about 300 million bushels. These structures are utilized in areas where commercial and cooperative elevator space is not available, and where farmers' loan stocks acquired by CCC cannot be held on the farm.

Other emergency storage space for CCC-owned grain includes 305 ships from the reserve fleet on both the east and west coasts, which can house about 68 million bushels of wheat. During Hurricane Hazel, which hit Eastern States last fall, a number of the ships in the James River (Virginia) reserve fleet broke from their moorings and crashed into each other. The stored wheat, however, came through with little damage, due to a fortunate lack of rain after the hurricane had passed and quick emergency repairs to hatch covers which had been partially or wholly removed by the wind.

Besides the Department of Agricul-



# Amazing Changes In Our Generation

(By Assistant Secretary of Agriculture  
Earl L. Butz)

**WE LIVE** in an era of the most rapid scientific and technological change of all time.

If you were to put the full recorded history of man on the face of your clock, starting with the story of creation in the Book of Genesis and continuing until 1854—100 years ago, the hands of your clock would have moved from noon around to 11:45 p. m. The last 15 minutes on the face of your clock would represent the last century. Yet output per worker in the United States has increased more in that last 15 minutes than in the entire previous 11 hours and 45 minutes.

And most of the increase within that last 15 minutes has occurred since the turn of the present century. Many of us now living have played a substantial role in this amazing scientific and technological revolution.

Let us imagine for a moment that a good Egyptian farmer in the day of Moses could have been brought back to life in the day of the Caesars, some 12 centuries later, and placed on a good farm in Italy, then the most advanced nation of the world. He could

have farmed with practically no additional instruction, for the art of agriculture had changed little, if any, in the intervening 12 centuries.

Let us imagine that same farmer brought back to life on a good English farm in the day of Shakespeare, some four centuries ago. He still would have been a pretty good farmer with no additional instruction.

Now let's bring that same ancient Egyptian farmer to the eastern shores of America 150 years ago and put him on Thomas Jefferson's farm, one of the advanced farms of that day. He still would not have found the art of farming very different from that which he practiced in Egypt 3,000 years earlier. He still would have used the same motive power, the same crude implements, and large amounts of hand labor. He would have known very little about fertilization, improved varieties, high producing breeds of livestock, and the hundred mechanical and electrical gadgets which occur on our modern farms.

But why go back 150 years? Let's just go 2,000 miles southwest from here a short distance below the Rio Grande River. Or let's go in any one of a score of places elsewhere around the world. That ancient Egyptian farmer could suddenly come alive on a farm in one of those countries and do a pretty good job of farming in 1954. The scientific and technological revolution which we take for granted in America has bypassed large parts of the world.

Now imagine for a moment that same farmer on a modern American farm. He would be completely bewildered. He would not even recognize the working end of the tractor parked in the farmyard. He would probably raise the cry of "witchcraft" at all the wonderful things performed by mechanical and electrical power. It would require hard years of instruction and apprenticeship for him before he could even begin to operate the modern American farm.

You and I live not only in a unique time in history, but also in a fairly unique spot on the globe. . . .

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*(Continued from page 10)*

ture programs to increase storage space, a revision in income-tax legislation now permits builders to amortize the cost of new storage structures over a period of 5 years instead of over the normal life of the building. This provision applies to both farm and commercial storage. How much additional storage traces to the tax law revision cannot be determined, of course, but the shortened amortization period should stimulate more prompt building of additional new storage space in any area where it is needed.

Department people caution that there will always be some tight spots in storing huge farm crops, but—by and large—the storage situation seems well in hand for the time being.—End.

—Excerpt from address, "Science, the New Frontier in Agriculture," by the Assistant Secretary, before the Association of Land Grant Colleges and Universities, Washington, D. C.

# Outlook Highlights

*(Continued from p. 4)*

will rise seasonally the next few months.

Number of broilers produced in 1954 topped the billion mark for the first time in history and prices were relatively low most of the year. October chick placements in areas which account for most of the Nation's broilers were down 6 percent from a year earlier. These were chicks for January broilers.

## Feed Grains

Corn prices have risen since mid-November and a seasonal increase is likely this winter and spring. Oat prices in November were above support for the first time since March 1953 but barley and sorghum prices stayed below support. Prices of most high protein feeds in early December were running a little above a year ago.

The Secretary of Agriculture announced on December 13 that the 1955 oats crop will be supported at 61 cents a bushel, barley at 94 cents, rye \$1.18, grain sorghums \$1.78. It was pointed out that with no restrictions on production of these grains, the lower supports this year (70 percent of parity) are expected to encourage freer flow of the four grains into feed use rather than into storage. As a result, dairymen and poultrymen should find some lightening of the price-cost squeeze.

## Wheat

Cash wheat prices in early December were at about the highest levels of the season to date. Although the wheat supply is a record, much of it is held under the price-support program. Most of the recent price increases have been in the better quality wheat, prices of which are now close to the support level. Prices of lower quality wheat are still below support but are likely to rise in the next few months, since supplies not under the price-support program are too small to meet anticipated requirements.

## Vegetables

Potato supplies during the first quarter of 1955 are expected to be smaller than a year earlier. The late crop of 1954, which will provide the bulk of the supply, is down some from last year, and the winter crop, is expected to be 5 percent below that of 1954. Potato prices are increasing seasonally and are well above a year earlier.

## Cotton

Prospects for cotton have increased this fall and on December 1 the crop was estimated at 13.6 million 500-pound bales. Although this is 18 percent below last year and the smallest crop since 1950, it is 9 percent above the 1943-52 average. The crop about equals the quantity expected to be used in this country and exported in 1954-55.

## Wool

The world supply of wool is a little larger this season than last and demand has eased. Prices at British Dominion auctions and at Boston are generally lower than a year earlier.

## Tobacco

Prices at burley auctions through December 13 averaged 51.3 cents per pound compared with 54.5 cents a year earlier. Prices in the flue-cured auctions—now about completed—averaged 52.1 cents per pound, a little less than in 1953.

### Improved Seed Program Continued This Year

THE PURCHASE and distribution of limited supplies of foundation seed of improved grass and legume varieties to help increase supplies of these seeds for farmers will be continued by the United States Department of Agriculture in 1955. Contracts for purchase of specified 1955-crop foundation grass and legume seeds will be offered to eligible farmer producers. In addition, breeder seed of the specified varieties will be purchased from agricultural experiment stations and plant breeders. The seeds will be purchased under production contracts (to be offered until December 31, 1955) at prices determined by Commodity Credit Corporation. Contracts for foundation seeds have come mostly from Northwestern States and California. Seeds acquired by CCC will be sold for distribution at prices that will fully reimburse CCC for operating costs of the program.

# "Bert" Newell's Letter

## To Crop and Livestock Reporters

HERE IT IS 1955, the start of a brand new year! I hope it will be a good one for you and yours. We had a busy year last year. With the drought pestering us all during the crop season and upsetting estimates and forecasts about as fast as we could make them, I tell you we were kept hopping.

I want to say now though, that you folks did a swell job. Thanks a lot. I had some good visits with reporters, and got some real good letters, too, that I appreciated very much, because they helped to explain some of your problems, and ours, in this job of trying to furnish useful information in a rapidly changing situation. As a matter of fact, it is during trying times, such as we have just been through, that rumor and opinion based on limited observation can be most upsetting.

Now, we have gotten some criticism about our forecasts and estimates during the past season, which you may like to hear about. I am not trying to alibi, but we are all in this thing together, and it may be of some interest to compare notes for a few minutes.

We started off in the year with a prediction that the 1954 winter wheat crop would likely be around 750 million bushels. Most of the criticism we received early in the season was to the effect that we were too high, but we finally ended up with 41 million bushels more than that first forecast. Corn started off pretty good, but then the drought hit in July. It looked bad, and we did have to change more than usual during the season. What with some States improving and other States getting worse, it was pretty hard to keep up with the crop. But from the second forecast in August, after drought effects became evident, to the end in December, we were within 1 to 5 percent of the final outcome all the way through. This was not as good as we have done or as good as we would like to have it. Nevertheless, with the wide variation in weather conditions that prevailed all during the season, it is not too bad a record at that. Now, we

missed the spring wheat crop pretty bad. At first, it looked fairly good, but then, as you will recall, we coasted along just hoping from day to day that we would escape the rust damage; but we didn't, and you know what happened. Things like that are pretty hard to forecast. I don't know how you could, and I am sure we don't know yet how we could have foretold the deterioration that was finally recorded.

Then, the one that caused more newspaper comment than any other was the cotton forecast.

We started off on August 1 with a cotton-crop forecast of 12,680,000 bales. One of my good friends, who is well informed on such matters, commented to me that that one was going to cause us trouble, because we just couldn't have that much cotton in 1954.

Then along came August and the drought. Most observers thought it was too hot and dry even for cotton. Some said that it had to go down at least a million bales and that would prove that we had been way off with our first estimate.

Well, our September forecast did go way down—not as far as some thought it should, but it certainly agreed with what you folks in the middle belt thought, because I never saw so many pessimistic reports.

Now as things turned out, we shouldn't have gone down at all. But one experienced cotton observer told me he was afraid the drought would be broken by a heavy torrential rain, in which case it would do more harm than good. On the other hand, he said, if we get a few well-spaced showers, things can improve fast. Now, that's just about what happened; our forecast increased every month from that time on, and we now end up with a crop of over 13½ million bales, or almost a million bales more than the August 1 estimate that so many folks thought was a million bales too high.

There isn't space here to go into all the changes we ran into during the past crop season, and that wasn't my



intention in the first place. The thing I do want to bring out is that we don't like these variations either. In fact, we are carrying on a program of research development right now, to try to find ways of doing a better job. I am glad to say that some of the things we have done in the past year, seem to have some possibilities, but it is too early to get optimistic. But, even while we are developing these techniques, I think you reporters and we can still hold our heads pretty high. Regardless of any comparisons that might be made, the big and important thing to remember is that we in the Crop and Livestock Reporting Service have a real responsibility to report to you, and to the Nation, the facts as they are reflected by your reports.

If we have reports from 75,000, 80,000, or 90,000 informed farmers on

the conditions and prospects of a crop at any given time, we maintain that we have pretty good information to go on and it is our duty and our responsibility to report those facts back to you. I think it can be demonstrated conclusively that these reports are the most stabilizing influence in the market and prevent a lot of wild speculation and rumor that would result in utter chaos if allowed to run unchecked.

Well, here we go again into another crop season. We promise that we will do everything we possibly can to merit your confidence and cooperation during the coming year. All of us in the Crop and Livestock Reporting Service extend our sincerest and best wishes for a prosperous season.

S. R. Newell, *Chairman*  
*Crop Reporting Board, AMS*

## Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	Average		Dec. 15, 1953	Nov. 15, 1954	Dec. 15, 1954	Effective parity price Dec. 15, 1954 <sup>2</sup>
	Base period price <sup>1</sup>	January 1947- Decem- ber 1949				
Basic commodities:						
Cotton, American upland (pound).....	cents.	\$ 12.4	31.21	30.73	33.17	34.72
Wheat (bushel).....	dollars.	4.884	2.14	2.01	2.12	2.48
Rice (cwt.).....	do.	1.94	5.38	5.36	4.48	5.41
Corn (bushel).....	do.	4.642	1.64	1.41	1.37	1.80
Peanuts (pound).....	cents.	4 4.8	10.2	11.0	12.3	13.4
Designated nonbasic commodities:						
Butterfat in cream (pound).....	do.	26.5	71.2	66.3	57.2	73.9
All milk, wholesale (100 lb.) <sup>4</sup> .....	dollars.	1.68	4.42	4.58	4.12	4.33
Wool (pound).....	cents.	20.9	46.0	52.8	51.4	50.7
Other nonbasic commodities:						
Barley (bushel).....	dollars.	.484	1.37	1.15	1.08	1.35
Cottonseed (ton).....	do.	25.50	71.60	53.00	59.40	71.10
Flaxseed (bushel).....	do.	1.60	5.54	3.66	3.02	4.46
Oats (bushel).....	do.	.811	1.852	.767	.761	.868
Potatoes (bushel).....	do.	4.535	1.48	.699	1.09	1.05
Rye (bushel).....	do.	.605	1.82	1.20	1.18	1.14
Sorghum, grain (100 lb.).....	do.	4 1.21	2.53	2.21	2.16	2.22
Soybeans (bushel).....	do.	1.00	2.84	2.81	2.57	2.57
Sweet potatoes (bushel).....	do.	.988	2.36	2.46	2.22	2.59
Beef cattle (100 lb.).....	do.	7.50	20.20	14.80	15.60	20.90
All chickens (pound).....	cents.	10.6	29.3	22.5	17.7	17.6
Eggs (dozen).....	do.	16.6	46.6	48.5	33.9	32.7
Hogs (100 lb.).....	dollars.	7.34	21.90	23.00	18.60	17.00
Lambs (100 lb.).....	do.	8.16	21.90	17.30	17.70	17.50
Calves (100 lb.).....	do.	8.28	22.60	15.60	15.60	15.90
Oranges, on tree (box).....	do.	6 2.29	1.23	1.16	1.32	1.11
Apples, for fresh use (bushel) <sup>10</sup> .....	do.	1.00	2.39	3.12	2.81	2.96
Hay, baled (ton).....	do.	4 11.87	22.40	23.00	22.90	23.30

<sup>1</sup> Adjusted base period prices 1910-14 used for computing parity prices. Derived from 120-month average January 1944-December 1953 unless otherwise noted.

<sup>2</sup> Parity prices are computed under the provisions of title III, subtitle A, section 301 (a) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Acts of 1948 and 1949.

<sup>3</sup> 60-month average, August 1909-July 1914 for all cotton.

<sup>4</sup> 60-month average, August 1909-July 1914.

<sup>5</sup> Adjusted base period price 1910-14 derived from 10-season average prices 1944-53.

<sup>6</sup> Prices received by farmers are estimates for the month.

<sup>7</sup> Preliminary.

<sup>8</sup> 10-season average 1910-28.

<sup>9</sup> Transitional parity, 75 percent of parity price computed under formula in use prior to Jan. 1, 1950.

<sup>10</sup> Prices prior to July 1954 include some processing.



# Economic Trends Affecting Agriculture

Year and month	Industrial production (1947-49=100) <sup>1</sup>	Total personal income payments (1947-49=100) <sup>2</sup>	Average earnings of factory workers per worker (1910-14=100)	Wholesale prices of all commodities (1910-14=100) <sup>3</sup>	Index numbers of prices paid by farmers (1910-14=100)			Index numbers of prices received by farmers (1910-14=100)			
					Commodities	Wage rates for hired farm labor <sup>4</sup>	Commodities, interest, taxes, and wage rates	Livestock and products			
								Dairy products	Poultry and eggs	Meat animals	All livestock
1910-14 average.....			100	100	100	100	100	100	100	100	100
1925-29 average.....	53		232	143	151	184	161	161	155	145	152
1935-39 average.....	54	34	199	118	124	121	125	119	110	117	116
1947-49 average.....	100	100	462	225	240	430	250	275	229	334	292
1951 average.....	120	126	563	258	271	470	282	286	228	409	336
1952 average.....	124	134	593	251	273	503	287	302	206	353	306
1953 average.....	134	142	624	247	262	513	279	273	221	298	273
1954 average.....					264		281	252	175	295	257
<b>1953</b>											
December.....	126	142	630	247	260		278	282	218	285	269
<b>1954</b>											
January.....	125	141	618	249	263	525	282	274	213	309	277
February.....	124	141	622	248	264		282	267	208	315	277
March.....	123	141	617	248	264		283	257	188	316	271
April.....	123	141	612	249	265	507	283	237	178	333	271
May.....	124	142	620	249	267		284	230	168	331	267
June.....	124	142	625	247	265		282	229	168	299	251
July.....	123	141	619	248	263	505	280	237	171	286	247
August.....	123	141	620	248	264		282	245	178	287	251
September.....	124	142	626	247	263		280	253	162	277	245
October.....	126	142	630	246	262	502	279	263	153	267	242
November.....	129		636	247	262		279	266	159	266	243
December.....					261		279	264	156	257	237

Year and month	Index numbers of prices received by farmers (1910-14=100)								Parity ratio <sup>6</sup>	
	Crops									All crops and live-stock
	Food grains	Feed grains and hay	To-bacco	Cotton	Oil-bearing crops	Fruit	Com-mercial vege-tables	All crops		
1910-14 average.....	100	100	100	100	100	100	-----	100	100	100
1925-29 average.....	140	118	169	150	135	146	145	143	148	92
1935-39 average.....	94	96	172	87	113	91	107	98	108	86
1947-49 average.....	246	230	384	264	318	183	249	247	271	108
1951 average.....	243	226	436	336	339	181	269	265	302	107
1952 average.....	244	234	432	310	296	191	274	267	288	100
1953 average.....	231	208	429	268	274	206	240	242	258	92
1954 average.....	232	206	439	274	279	222	228	244	250	89
1953										
December.....	230	205	427	260	269	237	224	238	254	91
1954										
January.....	233	207	420	254	268	222	271	240	259	92
February.....	236	208	443	258	269	210	233	237	258	91
March.....	238	208	443	263	275	212	246	239	256	90
April.....	234	208	443	267	283	217	225	240	257	91
May.....	227	207	446	272	286	215	279	249	258	91
June.....	216	205	445	274	283	240	200	244	248	88
July.....	225	202	446	272	286	228	243	248	247	88
August.....	228	207	430	288	294	235	223	250	251	89
September.....	233	210	444	292	276	248	170	247	246	83
October.....	235	204	441	293	275	218	191	243	242	87
November.....	239	199	438	281	277	206	237	244	244	87
December.....	239	202	430	276	279	207	216	241	239	86

<sup>1</sup> Federal Reserve Board: represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

<sup>2</sup> Computed from reports of the Department of Commerce; monthly data adjusted for seasonal variation.

<sup>3</sup> Bureau of Labor Statistics.

<sup>4</sup> Farm wage rates simple averages of quarterly data, seasonally adjusted.

<sup>5</sup> Revised.

<sup>6</sup> Ratio of index of prices received to index of prices paid, interest, taxes, and wage rates. This parity ratio will not necessarily be identical to a weighted average percent of parity for all farm products, largely because parity prices for some products are on a transitional basis.

## "Progress Ahead for Agriculture \* \* \*"

THIS IS THE TITLE OF A TALK given by True D. Morse, Under Secretary of Agriculture, before the Conference of Bank Correspondents in St. Louis, Mo. Some excerpts are: " \* \* \* 1955 will be a profitable year for able, aggressive farmers. The longer term outlook is even better. There will be opportunities unlimited for efficient farmers in the years ahead. \* \* \* People will continue to live well and buy high-level diet items like meat, milk, eggs, fruits, and vegetables. They are eating 13 percent more per person than prewar. Exports of farm products turned up in 1953—so far this year are running 5 percent higher than a year ago. \* \* \* Beef consumption set a new all-time high in 1953 and has moved on up to an even higher record of near 80 pounds of beef per person per year."

Mr. Morse went on to say that "There is no substitute for a good job of farming—and able management. That needs to be stressed in 1955—and in the years ahead. Costs of production," the Under Secretary said, "can and will be cut. The increase in efficiency in farming will continue. Farmers are becoming better managers and are rapidly adopting business practices in keeping with commercial farming. Dramatic changes will increase the efficiency of farm labor and farming methods. . . . Farmers have a rapidly growing market in the population upsurge—which continues with no end to the increase in sight."

### FASTER GAINS FROM WARMED WATER—

Iowa State College recently reported the results of a study on the advantages of taking the chill off of the water for hogs. They gave one lot of hogs water heated in automatic devices to a temperature between 45 and 55 degrees. A second lot had only unheated water. Those having access to all the heated water they wanted gained about 59 pounds in 40 days while those getting cold water gained only 49 pounds during the same length of time. The

Iowa experts say that cows, hens, beef animals, and sheep will also produce more and make better use of feed if they don't have to drink ice water.

**DELICIOUS DEHYDRATED POTATOES**—Scientists at the USDA's Eastern Utilization Research Branch at Philadelphia have come up with a new kind of dehydrated mashed potatoes which they say has the texture and color of good freshly mashed potatoes and a delicious flavor. The new product is called potato flakes and can be quickly converted to mashed potatoes by adding either hot water or milk and then whipping. These potato flakes are made by drying cooked mashed potatoes on the rolls of a steam-heated double-drum drier. The researchers point out that commercial development will depend upon completion of storage tests and cost estimates. They believe, however, that the process should be economical because the necessary drying equipment is widely available, little labor is required, and steam is used efficiently.

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